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ABSTRACT

The practices of program budgeting, costing, and strategic planning in higher education are examined. It is suggested that many postsecondary administrators and other groups have viewed a particular technique as the answer to their problems and converted a valid management technique into a management fad. Program budgeting, a system whereby the organization's programs or outputs, rather than its subunits, are allocated resources, is most often identified with Planning Programming Budgeting Systems (PPBS). It is claimed that PPBS was adopted by higher education soon after its first uses in government settings without evidence to suggest its applicability and without careful consideration of its uses and limitations. Among other problems is the fact that higher education is unable to specify the nature of its outputs, much less to measure them for cost-benefit or cost-effectiveness calculations that underlie the utility of PPBS. Additionally, terms such as "cost," "benefit," and "program" were used as if they had definitive and commonly understood meanings when they did not. In regard to costing, it is suggested that the lack of a usable production function has forced higher education to cost activities rather than outputs and has imposed limitations on the usefulness of the cost data. A second failure to adapt to a new setting is the adoption by state agencies of costing techniques developed for institutional use. It is claimed that, to date, strategic planning implementation parallels that of PPBS: implementation is beginning to occur concurrent with, not following conceptual development. Many of the features of colleges limit their options and potential responsiveness to strategic change: the norm of collegial decision-making, tenure and specialization of faculty members, and interdependencies in the curriculum. It is suggested that the role and utility of the rational model and of other decision making models in the context of higher education institutions are important considerations. (SW)

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Management Fads in Higher Education

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THE ASSOCIATION FOR INSTITUTIONAL RESEARCH

This paper was presented at the Twenty-First Annual Forum of the Association for Institutional Research held at the Leamington Hotel in Minneapolis, Minnesota, May 17-20, 1981. This paper was reviewed by the AIR Forum Publications Committee and was judged to be of high quality and of interest to others concerned with the research of higher education. It has therefore been selected to be included in the ERIC Collection of Forum Papers.

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ABSTRACT

In recent years, a series of management fads has arisen in higher education. These fads have usually 1) been borrowed from another problem situation without being fully adapted to the new situation; 2) been applied without careful consideration of their uses and limitations; 3) depended on the rational model of decisionmaking; 4) been overly complex or deceptively simple; and 5) depended on the use of jargon. This paper examines two fads--program budgeting and costing--and a potential fad, strategic planning, explaining why they are considered fads in spite of their real and important uses and basic intellectual rigor. Specific suggestions are provided about how to take best advantage of the strengths these tools offer, without risking some liabilities that seem to accompany a fad.

INTRODUCTION

Higher education, as an enterprise, is one of the most complex undertakings of society. It has several important roles (instruction, research, and public service) that society and the economy are heavily dependent upon. Higher education is neither totally of the market sector nor totally of the public sector; rather the consumers (students) pay some portion of the price with the remainder coming from many different sources. Very little definitive knowledge exists about the outcomes of higher education and there is even less knowledge about the mechanism by which these outcomes are produced. All of these factors make higher education an extremely difficult and painful enterprise to manage. Further, it has only been in recent years that there is anything approaching consensus that higher education should be managed. Many of the mores of the academic community (e.g., collegiality, tenure) are inconsistent with the centralized control and "product line" decisions that are a part of business-style management.

Management of higher education, however, does become an increasingly attractive option as difficulties accumulate. Enrollments will almost certainly begin to fall, revenues are being constricted, inflation is rampant, student and social interests are changing much faster than institutional capabilities, the demographic characteristics of students are changing, the knowledge and technology base is expanding rapidly and the institution's physical capital is deteriorating. All of these factors, individually and in combination, create severe stresses on the institution as an organization and on the leaders of higher education who must make decisions on these issues. Management techniques can, in some cases, provide a way for educational leadership to cope with the stress induced by changes in the already complex setting of higher

education and to integrate the responses to different stresses. They cannot, however, act as a substitute for substantive leadership. Unfortunately, in a number of cases higher-education administrators (and many others) have seized on a particular technique as the answer to their problems and converted what may be a perfectly valid and useful management technique into a management fad.

Several possible operational definitions of a management fad immediately come to mind such as "anything I don't like," or "anything advertised in the Chronicle for $295 for a two-day seminar," but in the interest of rigor we will use a more concrete definition. Webster's defines a fad as "a practice or interest followed for a time with exaggerated zeal." This definition focuses on the two key elements of a fad--periodicity and zeal. Management fads in higher education show a characteristic life cycle. They are derived from another setting where they have been used for some time. After a slow take off period, the management fad spreads rapidly through higher education to the point where a significant number of institutions have adopted (or at least claim to) the technique. Following this stage comes the inevitable disillusionment and the withering away of the fad. Sometimes the fad completely disappears without any impact on the decisionmaking process. In other cases, the bureaucratic form of the management fad will remain while the substance disappears (or never exists). Eventually, too, the form will fade like the Cheshire cat, leaving behind only its mocking grin. The zeal of the promoters of management fads is also evident. For example, Jimmy Carter stated flatly "zero-base budgeting has proved its value (Carter 1977)." The immense amount of bureaucratic effort that has been devoted to other management techniques also testifies to this zeal.

Neither zeal nor periodicity, however, is an inherently negative characteristic, despite the pejorative tone of the word fad. To determine the appropriateness of that tone in connection with higher-education management innovations, we need to consider their likely effects on institutions and on managers. Management innovations are unlikely to cause disaster in institutions. Colleges and universities tend to have a great deal of inertia in the system based on traditions, habits, and the general social feeling that they perform a worthy function. Furthermore, elaborate checks and balances among those who feel a vested interest in the enterprise--students, faculty, legislators, board members, and administrators--prevent the institution from moving too far, too fast. Management innovations which catch on in many settings do so because they have some apparent value, and it is not unreasonable to suppose that some long-term beneficial effects appear in people's ways of thinking about what they are doing and in the institutions's ways of collecting and analyzing information.

Among managers, recent fads have tended to increase the number and significance of roles played by nonacademic analysts. This suggests an increasing need for communication between analysts and academics--a need which has probably been met with varying success. It may well be that the turnover rate of administrators is slightly higher than that of management fads. That is, by the time a fad has run its course and disillusionment might be expected to set in, those who participated in it have assumed new responsibilities. We may never institutionalize what we have learned--both pro and con--about the innovation itself or about the risks and benefits of adopting exciting innovations for a short period of time.

We do not, therefore, claim that management fads are anathema, that they are to be avoided. We do believe that management innovation and the management of higher education are ill-understood and that they merit more objective and insightful attention than they have often received in the past. In the meanwhile, administrators who give such attention when they consider adopting a management innovation may spare themselves and their institutions from unnecessary turmoil.

Characteristics of Fads

We have identified a number of specific traits of management innovations which we believe contribute to their becoming fads. We will use these characteristics in analyzing several examples, and we suggest that they can be used prospectively by administrators, as well as retrospectively.

Fads will exhibit most or all of the following characteristics: 1) they are borrowed from another problem setting without being fully adapted to the inherent needs of the new problem; 2) they are applied without careful consideration of their uses and limitations; 3) they are complex for the sake of complexity or, on occasion, deceptively simple; 4) they rely heavily on the use of jargon; and 5) they depend, in one way or another, on an attempt to use the rational model of decisionmaking (problem → values → alternatives → maximizing choice → implementation → results → feedback). There seem to be two types of management fads that exhibit this last characteristic in different ways. One type of management fad (e.g., program budgeting) is conceptual in nature and takes a comprehensive world view. This type of fad is an attempt to implement the rational model fully. The second type of fad (e.g., costing) is technical in nature and developed from an attempt to derive information necessary to operate the rational model. In this case, however,

the means become the end--a narrow segment of a rational-model approach takes over the entire decisionmaking process.

The first four fad characteristics we have listed obviously contain within them the seeds of failure for the fad--they identify limitations of a management technique which eventually cause managers to lose their enthusiasm for it and move on to other things. The fifth, orientation toward the rational model of decisionmaking, may require a word of explanation. This orientation is a major factor in fad popularity: managers' normative behavior is rational, for many reasons. Our Western culture tends to value reason, as defined by formal logic. Academics are especially dedicated to the norms of scientific inquiry and intellectual rigor. Conflict and the use of set routines, two of the most obvious alternatives to rationality, are generally felt to be unpleasant and/or inappropriate.

The reason we assert that the rational orientation also is a limitation for a management technique is not that rationality is inherently wrong for higher-education institutions. Rather, it is so appealing and "self-evidently right" that it is susceptible to application (a) when the problem is not conducive to rational solution, or (b) when formal rationality is only one of several factors required to solve the problem. Other factors which may be entirely or additionally required to solve the problem include attention to the demands or expectations of powerful interest groups which may be using the problem to seek solutions to seemingly unrelated tangential problems. The individuals who will be affected by a solution, or on whom the organization may have to depend to implement the solution, may block it unless their decisionmaking expectations are met. The organization may rationally identify a solution which it does not actually have the capacity to implement. For

reasons such as these, the rational model often inspires more confidence than is justifiable--especially when, as in a "canned" management technique, the model is construed literally and narrowly.

In this paper, we will examine three management techniques that we consider to be fads or to have the potential to become fads. Two of these--program budgeting and strategic planning (a potential fad)--are of the conceptual type while one--costing--is of the technical type. In each case, we will examine the origin and characteristics of the technique in order to determine whether it indeed fits our definition of a management fad. In addition, we will describe why the techniques became popular. In this way, we expect to be able to draw conclusions that will prove of some use to the practicing administrator in higher education.

PROGRAM BUDGETING (PPBS)

Program budgeting, a system whereby the organization's programs or outputs, rather than its subunits, are allocated resources is most often identified with PPBS--Planning-Programming-Budgeting-Systems. The component terms of that title are defined as follows:

> Planning--selecting long-range objectives, conducting systematic analysis of various courses of action in terms of relative costs and benefits.
> Programming--deciding specific courses of action to carry out planning decisions (sets of actions may or may not coincide with organizational boundaries), and
> Budgeting--translating planning and programming decisions into specific financial plans (General Accounting Office 1968, 10-11, 47-48, 53).

PPBS had its roots in the late 1950s and early 1960s with research at the Rand Corporation dealing with military spending by the U.S. government. (For more complete background on PPBS, see Schick 1971, Carruthers and Orwig 1979.) Secretary of Defense McNamara and his comptroller, Charles Hitch, implemented PPBS in the Department in 1962 (see Hitch 1966), and in 1965, President Johnson issued an Executive Order requiring all federal agencies to adopt the approach. Williams' 1966 publication was apparently the first publication on PPBS explicitly for use in higher education. Adoption of PPBS in public institutions of higher education seems to have been initiated by the states (Thompson 1971, p. 684). By 1969 over half the states were considering or trying PPBS; however, only one or two were using it fully--most used only a piece or two (Schick 1971).

Years of conceptual development targeted specifically at defense applications preceded the use of PPBS in the Department of Defense. This was not the case for higher-education applications, as far as we can tell--although the need to reshape the tool for different conditions and environments has been asserted (Gross 1969). By 1968 the Ford Foundation in the United States and OECD in Europe were supporting projects to apply PPBS to higher-education institutions. The National Center for Higher Education Management Systems, founded at about the same time, spent its first five years preparing analytical and planning models and data management tools to support PPBS and similar approaches.

The emphasis in higher education has been on such application tools, without preliminary conceptual development or subsequent evaluation. Three exceptions which did seek to evaluate PPBS implementation in higher education are Glenny (1976) at the state level, Balderston and Weathersby (1972) at the University of California, and Benacerraf, Bowen, Davis, Lewis, Morse, and Schafer (1972)

at Princeton. No pure applications of PPBS have been reported in the higher-education literature, which suggests that PPBS was modified wherever it was attempted. (For critiques of PPBS, see Schick 1971, Balderston and Weathersby 1972, Merewitz and Sosnick 1971, and Wildavsky 1966 and 1969.)

Is PPBS a Management Fad?

As its history indicates, PPBS was adopted by higher education soon after its first uses in government settings. Because it was adopted so quickly, two processes occurred concurrently, which might better have occurred sequentially: (1) development of the PPBS concept with specific reference to the needs of higher-education institutions, and (2) implementation of PPBS in those institutions. Apparently each institution adapted the concept marginally as its implementation problems arose. We have found no research, either fundamental or evaluative, on the general applicability of PPBS to higher education. We conclude that it was borrowed from another setting without full adaptation.

Consistent with our criteria for a fad, PPBS was also applied without careful consideration of its uses and limitations. Several features of the higher-education enterprise suggest that PPBS, while it might be useful, had certain inherent limitations in that setting. With the lack of research and conceptual development on the subject, these features were not adequately attended to.

First, higher education is notoriously unable to specify the nature of its outputs, much less to measure them for cost-benefit (or even cost-effectiveness) calculations which underlie the utility of PPBS. Therefore, it is not possible in that setting to plan and select courses of action based on their relative cost-benefit ratios as required by PPBS.

Second, the professionalization of higher education--that is, the heavy reliance on professional staff who tend to have both normative expectations about their roles and effective veto power over many management decision attempts--made it difficult to achieve the degree of centralized decisionmaking that full use of PPBS requires. This is especially true in the case of academic program decisions, in which the faculty expect to have a major role. Third, the program orientation of PPBS does not fit well with higher-education organizational or accounting structures. Therefore, authority and accountability could well become so complex that management of the institution can be impeded, rather than improved, in the attempt to use PPBS. Fourth, PPBS focuses on what will be done, not on how to do it (Pyhrr 1973). Since higher education is a mature, labor-intensive industry, what it does is often not susceptible to change in any major or short-term sense. Finally, the goals of higher-education institutions are often multiple and conflicting. Institutions are often more productive if they blur, rather than highlight, their goals. PPBS seeks instead to make the institution's direction and tradeoffs explicit.

PPBS did, however, have potentially useful contributions to make, and they may have survived in some applications as "a positive residue of thought and action" (Harvey 1977). Where plans and budgets were decoupled, PPBS could contribute to linking them--an important function, if budgets are seen as major tools for implementing plans. Where programs were funded without attention to (a) the results they were capable of producing, or (b) their long-term cost implications, PPBS could contribute consideration of these important features.

As a fad, PPBS was also complex for the sake of complexity, and it was deceptively simple. Much of the quantitative analysis which is feasible for weapons systems is infeasible in academic matters, due largely to

characteristics of the higher-education enterprise listed above. The more analysts tried to be realistic in reflecting reality, the more complex were their formulations--and the more they had to rely on soft estimates and debatable assumptions. Another source of complexity was the need to create and work with a new structure, based on programs, which was not the same as the organizational structure. Even when the results were useful, decisionmakers--perhaps especially those who were not directly connected with an institution, such as legislators--had apparent tendencies to place too much faith in quantitative results, simply because they were complex and quantitative. On the other hand, the straightforward step-by-step description of PPBS made it appear deceptively simple: "all you have to do" is calculate costs and benefits, and allocate resources to the programs with the most favorable ratios.

Terms such as cost, benefit, and program, while they have real benefit and utility in themselves, degenerated into jargon in the context of PPBS in higher education. They did so because they were used as if they had definitive and commonly-understood meanings when they did not. What is the cost of departmental research? What is the benefit of a program in human biology? Is English a program? Despite many efforts in the past decade to understand such concepts as they pertain to higher education, they remained elusive.

More than any other fad we consider here, PPBS fully illustrates specific applicaton of the rational model. It focuses on a particular problem, allocation of limited resources. Its value premise is the existence of known, a priori objectives. PPBS explicitly requires identification of alternative courses of action to achieve the objectives. It asks for cost-benefit or cost-effectiveness calculations to determine the relative value of alternatives

and thereby to determine which alternative is chosen by a maximizing decision rule. It links planning with the implementation of plans through the budget function, assuming that such implementation will have the intended results. It provides feedback for future analyses and decisions. In short, PPBS is a manifestation of the generic rational model. Why is this a problem?

For one thing, the emphasis on maximizing a cost-benefit ratio, with the attendant pressure toward quantifying everything possible, had distorting consequences. The role of judgment in making decisions could easily be underemphasized: there is the tendency to explain--or blame--everything on the numbers without examining the underlying principles and assumptions. Most seriously missing in such circumstances is consideration of the educational soundness of a decision, since that central feature of higher-education decisions is not quantifiable. Furthermore, to the extent that higher-education administrators have needed increasingly compelling arguments in their attempts to sustain the high credibility and funding levels they had enjoyed in the 1960s, quantitative analytic results have been useful in enhancing such arguments. The tendency to overlook the need for judgment increases with those pressures.

Another major drawback of PPBS which is related to its rational model orientation is inherent in the completeness with which PPBS conforms to the model. By attending to every stage of decisionmaking, from problem formulation through feedback, and by doing so in a normative way, PPBS fosters the illusion that it can address capably all the factors inherent in achieving a desirable solution. To succumb to that illusion is to become susceptible to failure, because each institution experiences a variety of arational factors which differ across institutions and over time: political pressures, staffing

weaknesses, and unpredictable futures, for example. Such factors, which may have serious implications for decisionmaking, are not addressed by PPBS models.

The Appeal of PPBS

PPBS caught on in higher education in an era of demands for accountability and of levelling resources. Educators were being asked to conduct themselves in a more "business-like" way. Analytic results seemed to be more compelling reasons for action, in the view of the constituents of higher education, than were academic concerns. Constituents wanted to know what they were getting for their investment, and PPBS complied by focusing new attention on <u>results</u> in higher education.

COSTING

Costing has been defined in a wide variety of ways. Nevertheless, no one has improved on the 1923 formulation of Maurice Clark that "there are different costs for different purposes." What this means is that there is no single right answer to the question "how much did this cost?" The answer depends on the uses that will be made of it. An idea of the myriad possibilities for calculating costs was given by Adams, Hankins, and Schroeder in 1978. They pointed out that costs can be defined by:

1. Cost objectives-input, output, activity, organizational unit
2. Cost Basis-historical, projected, standard, inputed, replacement
3. Cost Assignability-direct, indirect, full
4. Cost Variability-fixed, variable, semivariable
5. Cost/Activity Relationship-total, average. marginal
6. Cost Determination Method-specific service, continuous service

7. Cost/Time Relationship-time period, accrual or cash, deflated

Just using the first six categories, gives one 1080 ways to calculate cost. Others are possible and more can be imagined.

In spite of the wide variety of ways to look at cost, the overwhelming bulk of all costing work done in higher education until very recently has been of one type--the calculation of average, historical, full, annual cost of outputs or activities. The major costing systems that were implemented at numerous campuses and state agencies such as IEP, CAMPUS, RRPM, and SEARCH were all of this type (or in the case of the last three were modeling tools using the same basic costing technology). Therefore, our explanation of costing as a management fad will be confined to costing of this type.

Costing as a technique largely grew out of applications of industrial cost accounting to higher education and out of the budgeting and expenditure allocation work of John Dale Russell, James Doi, and those associated with them. The earliest reference to costing in higher education that can be found is Cooke in 1910, but the earliest significant work occurred during the 1920s and 1930s with Russell's work at Chicago. Although the theory of costing is grounded in economics, there have been few attempts to use the techniques of economics to determine costs for higher education, and those attempts have been recent.

The first major effort to calculate higher-education costs came during the mid 1950s with the California and Western Conference (Big 10) Cost and Statistical Study. This was a cooperative venture on the part of the University of California and a number of the Big 10 schools to calculate and compare their costs. The importance of this study cannot be overestimated. It developed the

basic technology that is still used for most higher-education costing; the other costing systems that are in widespread use are largely derivatives of the California and Western Conference Study. In the years since, the use of cost information to compare the performance of institutions and to prepare budgets has greatly expanded, especially at the state level.

Is Costing a Management Fad?

In order to determine whether costing fits our definition of a management fad, it is necessary to compare the practice of costing with the specific criteria we established for management fads. Before doing that, however, some comments about the general definitions of a fad (periodicity and zeal) are necessary. Costing is certainly no short-lived phenomena. It has been with us for a number of years and shows absolutely no sign of disappearing. Many persons are becoming more cautious about the use of average, historical cost and are opting for a much more flexible approach (See for example, NCHEMS/NACUBO Costing for Policy Analysis, 1980). In this sense, costing does not fit the definition of a fad. Costing has and continues to attract its share of zealots. If nothing else, the immense amount of resources devoted to cost calculation and the imbalance between cost calculation and cost analysis demonstrate this.

To a certain extent, costing was borrowed from another setting (industry) but has been applied for so long and with so much effort in higher education, that costing can be said to be well adapted to the higher-education setting. The most serious remaining adaptation problem is not the application of an industrial technique to higher education, but rather the application of a manufacturing industry technique to a service industry, in particular a service industry without a known or standardized production function. While costing techniques have been used in other service industries, the applications have

been in much less complex industries (e.g., law) or suffer from many of the same problems that costing does in higher education (e.g., hospitals). The lack of a useable production function has forced higher education to cost activities rather than outputs and has imposed limitations on the usefulness of the cost data--limitations that are not present in a manufacturing industry. A second failure to adapt to a new setting that, while not as theoretically important as the first, has received far more attention, is the adoption by state agencies of costing techniques developed for institutional use. It is often contended that cost information used by the state should be more aggregate in nature than that developed for intrainstitutional use. This is open to debate. Rather, one might argue that states now have some of the same uses for cost information that institutions do. As decisionmaking authority has moved toward the states, they have had an increasing need for the kind of detailed cost data that formerly was the province of the institutions. States often have not, however, carefully analyzed their uses of cost information and therefore may or may not have appropriately adapted costing techniques to their needs.

One of the most serious charges against costing is that it has been applied without careful consideration of its uses and limitations. This was particularly true in the early days of costing. During the last five to seven years a great deal of debate and consideration of the uses and limitations of costing has occurred. Still, costing practices until very recently have ignored the maxim of "different costs for different purposes" and have tended to use average, historical, unit costs for a wide variety of purposes. While such cost figures have utility for some kinds of analysis, they are of very limited use in others. Costing techniques have also, in our opinion, relied far too heavily on a cost accounting approach and have ignored the insights and

caveats to be gained by taking an approach based on the economic literature. One particularly important point is the previously-mentioned one about production functions which average historical costing deals with in a very superficial manner. Theoretically, a cost function can only be derived from a production function. Other methods of estimating costs (e.g., from historical patterns) are subject to a wide variety of errors. The discipline of economics also offers insights regarding the concepts of marginal costs and the interrelations of different varieties of costs. Another serious limitation of cost analysis, as it is practiced, is the identification of historical average cost with a normative cost standard. In fact, both economic and accounting theory are clear that historical experience is only one element in the determination of a cost standard. Finally, costers have given too little attention to flaws in their raw data. In many cases, certain activities (e.g., lower division fine arts) in different institutions have been considered comparable when they may be very different (e.g., music appreciation and music practice) in their cost implications. There is also a wide variety of organizational structures and accounting practices (financial and activity) that may distort the raw data used for costing. Finally, some differences among activities cannot be assessed by costers, but must be dealt with by the responsible academic authorities. In general, costing would be well served by a critical examination of the use intended for the cost data and the suitability of a particular approach for that use.

Costing, as currently practiced, is very complex. While much of the complexity is necessarily a product of the complexity of the accounting systems, programs, and organizational structures of higher education, at least two major aspects of typical costing systems seem to us to be complex for complexity's sake. The first of these is the development of elaborate cost-allocation mechanisms to

allow for the calculation of full costs. The calculation of full costs involves adding an allocated proportion of overhead costs to the calculation of direct costs. The principles of cost allocation require that indirect costs be assigned in proportion to the draw of directly-costed activities on overhead services. This is an enormously complex task and it is unclear what additional benefits are gained beyond those associated with direct costing. Full costing is attractive in a macro-economic study, but is of little utility in most of the uses to which cost studies of this type are commonly put. (Pricing decisions are an exception). The second case of complexity for its own sake is the widespread use of faculty activity analyses as the basis for the assignment of direct costs. The reason for this is that faculty commonly do a wide variety of things--teach several classes, conduct departmental and contract research, serve on committees, advise students--that need to be differentiated. Unfortunately, faculty activity requires the submission of time reports that are cumbersome, generally resented, and wildly inaccurate. Sampling can be done but this misses differences among times during the academic term. Finally, activity analysis also is not linked to normal financial practices or to a standard work week. All in all, it is probably no more inaccurate and definitely easier to use much simpler techniques (such as faculty assignment analysis).

Costing, like any technical field, has experienced the growth of its own set of jargon. A quick look at any costing manual convinces one of this. Most of the jargon in costing, however, can best be described as technical shorthand, rather than as buzzwords that can be substituted for thought.

The development of costing as a field is very closely associated with decisionmaking according to the rational model. Costing's relationship to

rational decisionmaking is definitely of the technical variety. In order to assess alternatives it is necessary to know the costs of those alternatives. Ideally, costing could be used in this manner as a support system for making decisions according to the rational model. Unfortunately, costing has not, until very recently, developed in this manner. Rather, immense efforts have been expended to calculate one version of cost--average, historical cost--with little consideration of whether this type of cost is relevant to the decisions being made and the alternatives being considered. The calculation of cost has become an end in itself with much more effort devoted to the calculation of cost data than to the analysis or use of this data. In addition, cost data are often used to the exclusion of any other information about programs. Depending on one's point of view, cheaper is better or more costly is better. In both of these cases, the cost analysis, originally designed to support the rational model of decisionmaking, has replaced it. Cost is the only criterion used to analyze a complex situation. Even though costing was developed to support rational decisionmaking it has not served that purpose well.

The Appeal of Costing

The intent of costing as developed by the California and Western Conference Study was to allow interinstitutional cost comparisons and to give the administrators a basis for making judgments about their own institutions. Although this remains an attractive feature in cost studies, the great expansion in costing is probably related to the spread of PPBS and associated techniques. Costing is necessary if one is to use a rational model decision system (such as PPBS). It is also one of the most tangible parts of such a system and may provide an illusion of giving concrete answers. Costing was, therefore, one of the first steps in implementing PPBS. Costing promised efficiencies and a way to bring costs under control. In reality, it did not

serve this function--with hindsight it is difficult to see how it ever could have, but that was the expectation at the time. Finally, many "turnkey" systems for costing were available; therefore, it was cheaper to use than it would have been if an institution had been required to develop a costing system from scratch. All of these factors contributed and still contribute to the spread of costing.

STRATEGIC PLANNING

To illustrate the fact that higher education administrators may be no less susceptible to management fads today than they ever have been, we turn finally to an approach which is gaining currency and which we believe has the potential to emerge as a fad--strategic planning. One can hardly find a list of new books or forthcoming seminars which does not include at least one item on that topic.

The term strategic planning is sometimes used generically to refer to any set of top-level policy decisions. We refer here, instead, to a particular system of principles for identifying and managing such decisions. The system is difficult to define because, while most people who use the term seem to do so with the assumption that everyone shares a common understanding of it, the definition varies from one author or proponent to another.

Collier (1981) has synthesized strategic planning literature from both business and higher education. He goes on to build a model of the concept as it may apply to higher education institutions. Since his work is recent, grounded in the literature, and explicitly formulated for higher education, we present here a brief sketch of his concepts without asserting that they are necessarily typical of the field.

Strategic planning is conducted by top management, and it is the explicit making of a limited set of critical decisions. This set of decisions determines the focus and nature of the "businesses" the organization is in and the manner used to compete in those businesses. Some decisions included by Collier are clientele to be served, geographic location, mix of programs to be conducted, organizational mission, and competitive advantage to be sought. The primary criterion used in making such decisions is the achievement of a simultaneous match among (a) the organization's resources, (b) its proximate environment, and (c) certain inherent chracteristics--personality, tradition, culture--of the organization. Finally, strategic decisions are to be made with explicit consideration of their implications for the future of the organization.

Conceptual development of strategic planning in the business sector goes back to Drucker (1954) and Chandler (1962). The first systematic application of the principles occurred at General Electric in the 1960s. Since that time, the concept has been widely discussed and applied in business. Consultation in strategic planning for higher education institutions has been offered for about three years by a variety of consulting firms and individuals. Our guess is that, while attendance at seminars is high enough to warrant continued and expanding offerings, only a handful of institutions to date has made comprehensive efforts to implement strategic planning. We can only guess about that because, as with PPBS, we have discovered no foundation research and only a small amount of fugitive evaluative literature on strategic planning in higher education.

Is Strategic Planning a Potential Management Fad?

Representatives of management consulting firms tend to be candid about having directly transferred their strategic planning service from business to higher education, admitting that they have sometimes merely changed words like corporate and profit to appropriate higher education analogs. Some discussions of issues related to that transfer exist (Hosmer, in press), but we know of no research to inform those discussions with specific reference to the strategic planning concept. The National Center for Higher Education Management Systems is preparing to conduct a major foundation research project aimed at beginning to fill that gap. To date, however, strategic planning implementation parallels that of PPBS--implementation is beginning to occur concurrent with, not following, conceptual development.

All of our earlier remarks about the limitations of PPBS and costing when used in higher-education settings apply also to strategic planning. Higher education as a service industry is inherently different from a manufacturing organization such as General Electric, the first strategic planner. What are the "products" and "markets" of higher education institutions? On what grounds do they identify their competitors, assuming that they are willing to acknowledge and engage in competition? Many of the features of higher-education institutions which were discussed above limit their options and their potential responsiveness to strategic change: the norm of collegial decisionmaking, tenure and specialization of faculty members, and interdependencies in the curriculum, for example.

An important characteristic of strategic planning is its non-directiveness with regard to decision rules. This is potentially both an advantage and a liability. The possible problem is illustrated by the lack of specific

criteria for (a) defining the key features of environment, organizational resources, and inherent characteristics--which may vary considerably from one institution to another, and (b) recognizing an appropriate and potentially productive match among the three elements. A school which, engaging in a strategic planning exercise, suddenly realizes that members of its local community have unmet educational needs, may believe that it should respond better to its environment. In fact, its interests may be better served by continuing (as it apparently did, implicitly, in the past) to define its environment in terms which do not include the local community. Alternatively, the terms and guidelines of strategic planning could be defined in such a way as to affirm virtually any arbitrarily-chosen course of action, including no change from present procedures--which leads one to wonder whether it provides any substantive guidance for administrators.

The potential advantage of strategic planning's non-directiveness contributes to its utility as a management tool. Given a conceptual framework which has apparent value, at least in business, the openness of that framework to interpretation enables its use in other kinds of settings. That is, strategic planning provides higher education administrators with a way of looking for new solutions; it conceptually organizes some important avenues among which they might productively choose. The catch, then, is that--more than perhaps any of the management tools we have considered--the quality and utility of strategic planning will vary directly with the astuteness of those who seek to use it.

This point leads to another characteristic of fads. Strategic planning is more deceptively simple than overly complex: "just" match three factors, cognizant of the future implications of those decisions. Without criteria for defining terms and recognizing matches, without experience in or flexibility for

strategic change, and with critical gaps in our ability to assess the future implications of present decisions, the strategic planning mandate is deceptively simple, deceptively independent of the characteristics and predilections of its practitioners.

Especially at this early stage in strategic planning for higher education, some of the terms which may have meaning in a business setting are jargon in the new setting because we have not thoroughly considered their revised meaning or their relevance. We do not know whether to define "the business we're in" along the lines of academic departments or in terms of teaching, research, and service. Therefore, we cannot examine our "portfolio" of businesses. Is the higher education analog to the "strategic business unit" an academic department, a family of similar departments, or a school? On such issues we have reached neither understanding of the implications of choosing one definition over another nor consensus regarding the best definition.

Although strategic planning does not mandate following the prescribed steps of the rational model, it is related to the model. Both strategic planning and the rational model assume that unitary decisions can be made centrally for the organization. Strategic planning deals with fundamental policy issues which are the ultimate responsibility of top management. However, decisionmaking authority is widely dispersed in colleges and universities. While central agents may well be able to identify decision opportunities and shape the debate, it is unrealistic to believe that they can tame and direct all the internal and external constituents who seek to participate in making those basic decisions. Without such central direction, it would be difficult at best to arrive at a set of strategic decisions which is logically consistent, and which is predicated on objective criteria for choosing among alternative

courses of action as both strategic planning and rationality require. In any effort to exert central direction, decisionmakers in higher education run considerable risk of alienating individuals on whom they must depend to faithfully implement the decisions.

The Appeal of Strategic Planning

Finally, it is worthwhile to note the features of strategic planning which may account for its current appeal. It appears that strategic planning incorporates three major factors which speak to current concerns of higher-education administrators: managing futurity, managing the environment, and flexible planning. Administrators in institutions are faced with frightening and apparently unmanageable prospects for the future as they contemplate declining enrollments and diminishing availability of public resources. Their critical inputs are believed to be in jeopardy, and they need some way to understand and deal with what that might mean for their organization's future. Much of the current turmoil derives from the environment--legal, economic, and social--so administrators are less likely than they have ever been to feel snug in the traditional ivory tower. They are feeling a need to understand and respond to that environment, a feeling that has not existed before during their professional lifetimes.

Understandably in such a context, administrators may feel that previous planning approaches make too many assumptions about the long-term future and their ability to control it. Bowen and Glenny (1976) expected a need for more adaptive planning processes in retrenching institutions. Strategic planning meets this need by decoupling plans from specific target dates, by emphasizing future implications of <u>current</u> decisions, and by asserting that planning is a continuous process rather than a periodic process.

CONCLUSIONS

During the past decade higher-education administrators have engaged in at least two management practices which have turned out to have the characteristics of fads. In addition to the possibility that a third practice which is now developing may eventually prove to have been a fad, other practices could be cited as fads in recent years--zero-base budgeting, for example (see Fincher 1977). We contend that higher-education institutional management is susceptible to faddism, and we believe that this tendency may be largely attributable to the co-existence of two major factors. First, for the past ten to fifteen years higher-education institutions have increasingly felt pressured to become more "business-like," more rational. The buzz word early in the period was accountability; more recently, the prospect of declining resources has been of great concern to administrators and to the (often business-oriented) board members and legislators with whom administrators must deal.

The second contributing factor is the lack of either theory or evidence to bring understanding about (a) how higher education is like or unlike other enterprises (e.g. business) and (b) the role and utility of the rational model and of other decisionmaking models in the context of higher-education institutions. Administrators are not filling the gap--they are usually trained primarily in traditional academic disciplines, rather than in management, and they are fully occupied with coping and responding, not contemplation and research. Professors of business rarely attend to the non-profit sector and education professors tend to focus on the teaching-learning aspect of the field. Therefore we are not sanguine about the possibility of near-term development of needed theory and research. Without it, and with continuing

pressures for "better" management, administrators have no frame of reference with which to evaluate management tools before adopting them; administrators have no coherent, consensual context in which to place them. They are likely to continue to try new tools on the basis of their apparent match with the problems administrators face, or on the basis of a respected colleague's enthusiasm.

Our investigation suggests some long-run and short-run approaches to taking advantage of the benefits of new management tools while minimizing the risk of subsequent disappointment or disaster. In the long run, the most promising strategy is to increase the infusion of professionally-trained managers in the ranks of institutional leadership, as appropriate, and to increase efforts to teach management skills to administrators from the academic ranks. This is especially needed if forthcoming tools, like strategic planning, are highly dependent on the wisdom and skill of their users. To the extent that it occurs, communication between professional managers and academics will need to be improved. Two further long-run strategies are (a) to identify opportunities for and to invest in basic research on higher-education institutions as managed organizations and (b) to incorporate comprehensive evaluation studies whenever an innovative approach is tried, and to disseminate the results to the higher-education community.

In the short run, administrators can forestall faddism in several ways when they consider adopting a new management tool. First, they can invest in institution-specific evaluation of the merits of an innovation vis à vis the nature and needs of the organization--<u>before</u> attempting implementation. Second, administrators can engage in serious deliberations about the merits of a proposed innovation with widely representative members of the organization

(not just with management technicians) before attempting implementation. In both evaluation and discussion, participants might consider the extent to which the innovation exhibits the characteristics of a fad, such as those we have used for this analysis. Third, most administrators should approach any innovation which involves fundamental management functions and which is predicated on the rational model of decisionmaking with extreme skepticism and with a careful analysis of how the institution actually does or could make decisions.

Most innovations arise and gain currency because they address genuine and widespread organizational needs. In analyzing the needs and the innovation, administrators should ask questions such as: does this organization have those needs? If so, how compatible is this innovation, its assumptions and its procedures, with this organization? can elements of the innovation be disaggregated without doing violence to its ability to serve the need, so that compatible pieces of the innovation can be injected into the organization? how much change would the innovation require? Is such change feasible and justifiable?

We also believe that a clear understanding of what constitutes faddism in innovation can be a valuable tool for evaluating innovation. A fad must be something other than an innovation that generates pain (because all innovation does) or that changes the balance of power. Our own analysis in this paper, which evaluated faddism in relation to a specific set of criteria, is illustrative of this point. We selected data base building as a fad, but our analysis brought us to the strong conclusion that it could not be so described. While other definitions of faddism are possible, some concrete definition is a

valuable standard for identifying management tools which are likely to have brief lives, or for understanding the weak spots in them.

The faddism of recent years is a symptom of trying out solutions without a solid understanding of the problems. The cumulative effect of increased basic research and skeptical, inquiring administrators could be better understanding of problems and more effective solutions as well as far more effective use of some of the techniques we have described here.

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